IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

STORUS CORPORATION,

Plaintiff,

Defendants

٧.

AROA MARKETING, INC., et al.,

No. C-06-2454 MMC

ORDER GRANTING IN PART AND DENYING IN PART PLAINTIFF'S MOTION FOR PARTIAL SUMMARY JUDGMENT

Before the Court is plaintiff Storus Corporation's ("Storus") Motion for Partial Summary Judgment of Trademark Infringement, filed December 28, 2007. Defendants Aroa Marketing, Inc. ("Aroa") and Skymall, Inc. ("Skymall") have jointly filed opposition, to which Storus has replied. Having read and considered the papers filed in support of and in opposition to the motion, the Court rules as follows.¹

BACKGROUND

Storus has marketed and sold a money clip under the mark "Smart Money Clip" since 1997. (See Kaminski Decl., filed December 28, 2007, ¶ 4.) Said money clip is covered by a patent owned by Storus, specifically, by United States Patent 6,082,422, (see id. ¶¶ 2, 4), which patent "relates to a combination money clip and card holder adapted to

¹By order filed February 7, 2008, the Court took the matter under submission.

retain paper currency as well as [to] removably store flexible cards, e.g., credit cards, and sized to be conveniently carried in a pocket or purse," (see id. Ex. C at col.1, Il. 17-21). Storus sells the Smart Money Clip through "various retail channels, including internet stores, and mail order catalogs, 'brick and mortar' stores and television shopping channels." (See id. ¶ 5.)²

In its First Amended Consolidated Complaint, Storus alleges, as its Sixth Claim, that

In its First Amended Consolidated Complaint, Storus alleges, as its Sixth Claim, that defendants have infringed Storus' mark Smart Money Clip by using said mark in connection with sales of products that compete with Storus' money clips. By the instant motion, Storus seeks partial summary judgment on the issue of defendants' liability as to the Sixth Claim. Specifically, Storus asserts, the manner in which defendants have used the mark "Smart Money Clip" in connection with a "search engine" creates "initial interest confusion with Storus' trademark." (See Pl.'s Mot. at 9:26-27; 11:2-10.)

LEGAL STANDARD

Rule 56 of the Federal Rules of Civil Procedure provides that a court may grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." See Fed. R. Civ. P. 56(c).

The Supreme Court's 1986 "trilogy" of Celotex Corp. v. Catrett, 477 U.S. 317 (1986), Anderson v. Liberty Lobby, Inc., 477 U.S. 242 (1986), and Matsushita Electric Industrial Co. v. Zenith Radio Corp., 475 U.S. 574 (1986), requires that a party seeking summary judgment show the absence of a genuine issue of material fact. Once the moving party has done so, the nonmoving party must "go beyond the pleadings and by [its] own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file,' designate 'specific facts showing that there is a genuine issue for trial." See Celotex, 477 U.S. at 324 (quoting Rule 56(c)). "When the moving party has carried its burden under

²Defendants do not dispute any of the facts set forth in the preceding paragraph.

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Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts." Matsushita, 475 U.S. at 586. "If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted." Liberty Lobby, 477 U.S. at 249-50 (citations omitted). "[I]nferences to be drawn from the underlying facts," however, "must be viewed in the light most favorable to the party opposing the motion." See Matsushita, 475 U.S. at 587 (quoting United States v. Diebold, Inc., 369 U.S. 654, 655 (1962)).

DISCUSSION

As noted, Storus seeks partial summary judgment on its claim for trademark infringement. To establish a trademark infringement claim, the plaintiff must establish that the defendant has used a mark "confusingly similar to a valid, protectable trademark of [the plaintiff]." See Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F. 3d 1036, 1046 (9th Cir. 1999).

A. Valid, Protectable Trademark

On March 20, 2001, the Patent and Trademark Office ("PTO"), upon application by Storus, registered Storus' mark Smart Money Clip for use in connection with "cases with clips adapted to hold and retain personal identification, money both paper and coin, credit cards, memo items, business cards, personal accessories, and the like and adapted to be carried in a user's pocket, purse, handbag or pack." (See Kaminski Decl. Ex. D.)

A registration "constitutes prima facie evidence of the validity of the registered mark and of [the plaintiff's] exclusive right to use the mark on the goods and services specified in the registration." See Brookfield, 174 F. 3d at 1047. The registration "creates a rebuttable presumption that a trademark is valid, that is, either inherently distinctive or descriptive with secondary meaning, and therefore, protectable under federal trademark law." See Leelanau Wine Cellars, Ltd. v. Black & Red, Inc., 502 F. 3d 504, 513 (6th Cir. 2007); Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc., 419 F. 3d 925, 927 (9th Cir. 2005) (holding "inherently distinctive" marks and "descriptive marks" with "secondary meaning" entitled to trademark protection).

Here, defendants argue the Smart Money Clip is descriptive, under the theory that "smart" is a "generally laudatory" descriptive term not entitled to protection in the absence of a showing by Storus of secondary meaning. See, e.g., Hoover Co. v. Royal Appliance Mfg. Co., 238 F. 3d 1357, 1360 (Fed. Cir. 2001) (holding mark "Number One in Floorcare" was "generally laudatory phrase" not entitled to trademark protection in light of absence of evidence of secondary meaning; noting, "Self-laudatory or puffing marks are regarded as a condensed form of describing the character or quality of the goods.").

Defendants fail to offer any evidence that "Smart Money Clip" is understood as a "generally laudatory term," and the cases identifying terms found to be "generally laudatory" concerned marks distinguishable from Storus' mark. See, e.g., In re Best Software, Inc., 58 U.S.P.Q. 2d 1314 (T.T.A.B. 2001) (setting forth as examples of generally laudatory marks "The Best Beer in America" and "The Ultimate Bike Rack"). Defendants also fail to explain why "smart" is descriptive of the function performed by Storus' money clips, specifically, having the ability to hold cash and credit cards simultaneously. Even assuming, arguendo, "Smart Money Clip" is descriptive in nature, the PTO is presumed to have found the mark acquired secondary meaning, see Leelanau, 502 F. 3d at 514 (holding where mark is descriptive, "its registration must have been on the basis of the [] PTO's determination that [the] mark had obtained a secondary meaning"); consequently, defendants have the burden to "prove the absence of secondary meaning," see id.

Defendants fail to offer any evidence to support a finding of an absence of secondary meaning, and, thus, fail to create a triable issue of fact.

Accordingly, the Court finds Storus has shown no material issue exists as to the validity of the mark Smart Money Clip.

B. Likelihood of Confusion

As noted, Storus argues the manner in which defendants have used "Smart Money Clip" has created "initial interest confusion."

"Initial interest confusion occurs when the defendant uses the plaintiff's trademark in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion." Interstellar Starship Services, Ltd. v. Epix Inc., 304 F. 3d 936, 941 (9th Cir. 2002) (internal quotation and citation omitted). For example, initial interest confusion can occur where a defendant includes a plaintiff's mark in "metatags" found on the defendant's website, thereby causing consumers who enter the plaintiff's mark into a search engine to obtain a list of results that includes the defendant's website, after which some of those consumers will select defendant's website from the list. See Brookfield, 174 F. 3d at 1058, 1062-65 (holding "Lanham Act bars [defendant] from including in its metatags any term confusingly similar with [plaintiff's] mark"). "Although there is no source confusion in the sense that consumers know they are patronizing [defendant] rather than [plaintiff], there is nevertheless initial interest confusion in the sense that, by using [plaintiff's mark] to divert people looking for [plaintiff's product] to its web site, [defendant] improperly benefits from the goodwill that [plaintiff] developed in its mark." See id.

In determining whether a defendant's use of a mark creates initial interest confusion, a trier of fact considers the eight "Sleekcraft factors": "(1) the similarity of the marks; (2) the relatedness or proximity of the two companies' products or services; (3) the strength of the registered mark; (4) the marketing channels used; (5) the degree of care likely to be exercised by the purchaser in selecting goods; (6) the accused infringers' intent in selecting its mark; (7) evidence of actual confusion; and (8) the likelihood of expansion in product lines." See Interstellar Starship, 304 F. 3d at 942.³ "[I]n the context of the Web, the three most important Sleekcraft factors are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the parties' simultaneous use of the Web as a marketing channel." See id. (internal quotation and citation omitted). "When this 'controlling troika,' or 'internet trinity,' suggests confusion is likely, the other factors must weigh strongly against a

³In <u>Sleekcraft</u>, the Ninth Circuit listed the above factors in a different numerical sequence. <u>See AMF Inc. v. Sleekcraft</u>, 599 F. 2d 341, 348-49 (9th Cir. 1979). In applying the <u>Sleekcraft</u> factors, courts traditionally have numbered and discussed those factors consistent with their relative importance to the particular case under consideration. <u>See</u>, e.g., GoTo.com, 202 F. 3d at 1205.

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likelihood of confusion to avoid the finding of infringement." Id. (internal quotation, citation, and alteration omitted). Consequently, where the "factors of the internet trilogy" weigh against the defendant, a finding of likelihood of confusion is proper unless the defendant shows the remaining Sleekcraft factors "weigh strongly against a likelihood of confusion." See Perfumebay.com v. eBay Inc., 506 F. 3d 1165, 1174-75 (Fed. Cir. 2007); see also GoTo.Com, Inc. v. Walt Disney Co., 202 F. 3d 1199, 1207 (Fed. Cir. 2002) (holding where "marks are similar, [the parties] offer similar services, and [the parties] both use the web as their marketing channel," confusion is "indeed likely").

1. Aroa

a. Undisputed Facts⁴

Aroa sells "money clip products" under the mark Steinhausen, (see Andara Decl., filed December 28, 2007, Ex. E at 59), on the website www.steinhausenonline.com, (see id. Ex. G). From 1998 to January 2001, Aroa also sold, pursuant to an agreement with Storus, Storus' Smart Money Clip. (See Kaminski Decl. ¶¶ 7-8.)

Google Inc., an internet search engine, operates an advertising program titled "AdWords," under which an account holder can "create ads and choose keywords." (See Choi Decl., filed December 28, 2007, ¶ 4.) Under this program, "[w]hen people search on Google using one of the account holder's keywords, the account holder's ad may appear next to the search results, and people can then click on the account holder's ad." (See id.) Aroa, an AdWords account holder, chose various keywords for inclusion in the program, including "smart money clip," and provided Google with an ad to be generated when a user searched using any of the chosen keywords. (See id. Ex. B at 3, 5.) In particular, under the AdWords program, if a consumer searched on Google for the phrase "smart money"

⁴Defendants offer no evidence to dispute any of the facts set forth in the following section. Defendants have, however, raised evidentiary objections to some of the evidence from which such facts are derived. To the extent the Court has relied on any such evidence, the objections thereto are overruled for the reasons stated by Storus. To the extent the Court has not relied on such evidence, the Court does not reach the objections.

clip," the following Aroa ad may appear on the results page:

Smart Money Clip

www.steinhausenonline.com Elegant Steinhausen accessories. Perfect to add to any collection.

(<u>See</u> Andara Decl. Ex. G.)⁵ The "Smart Money Clip" portion of the ad is underlined and set forth in a larger font than that used in the rest of the text in the ad. (<u>See id.</u>)

During the period from November 13, 2006 to October 12, 2007, the above advertisement was displayed 36,164 times in response to a search for "smart money clip," and such displays resulted in 1,374 "clicks," i.e., the consumer "clicked on [Aroa's] ad after viewing the page where it was displayed." (See Choi Decl. ¶ 5, Ex. B at 4-5; Andara Decl. Ex. E. at STOR00673-74.)

b. Analysis

In light of the above undisputed facts, the Court finds Aroa used a mark identical to Storus' mark with respect to the same type of product, a money clip, and that both Storus and Aroa marketed their respective money clip products over the internet. Defendants' argument, that the first of the "factors of the internet trilogy," similarity of the marks, nevertheless weighs in Aroa's favor, is unpersuasive. Although, as defendants point out, Aroa's Google ad includes a reference to Aroa's mark "Steinhausen," the subject ad, as noted, begins with a mark identical to Storus' mark, underlined, and in a font size larger than that used for any other text in the ad. Defendants appear to argue that consumers would know Steinhausen is the mark of a company different from that of the company owning the Smart Money Clip mark, and, thus, if consumers proceed to Aroa's site, the consumers would not be confused as to the source. Defendants offer no evidence, however, to support such a finding. Moreover, even if such evidence had been offered, defendants' argument would be unavailing. As noted, under the "initial interest confusion"

⁵Storus asserts, and defendants do not dispute, that defendants stopped using "smart money clip" as a keyword in the AdWorks program at some point after the instant action was filed. Consistent with Storus' assertion, documents produced by Google, in the instant action, refer to the "status" of Aroa's keyword "smart money clip" as "paused," as opposed to "active." (See Choi Decl. Ex. G at 5.)

theory of trademark liability, "source confusion" need not occur; rather, in the internet context, the wrongful act is the defendant's use of the plaintiff's mark to "divert" consumers to a website that "consumers know" is not Storus' website. See Brookfield, 174 F. 3d at 1062.6

Accordingly, the Court finds no triable issue of fact exists with respect to any of the three "factors of the internet trilogy," each of which weighs in favor of Storus. <u>See Perfumebay.com</u>, 506 F. 3d at 1174. Consequently, the burden shifts to defendants to offer evidence to support a finding that the remaining factors "weigh strongly against a likelihood of confusion." <u>See id.</u> at 1174-75.

In that regard, defendants offer no evidence to show a lack of actual initial interest confusion. The only evidence relevant to this factor is offered by Storus, specifically, undisputed evidence that during the period from November 13, 2006 to October 12, 2007, when Aroa's ad appeared thousands of times in response to searches for "smart money clip," such ad generated 1,374 "clicks." (See Choi Decl. ¶ 5, Ex. B at 4-5; Andara Decl. Ex. E. at STOR00673-74.) In other words, on 1,374 occasions, consumers who were searching for a website by using Storus' mark were, in fact, "diverted" to an Aroa website selling money clips that compete with Storus' money clips. Such diversion constitutes the "initial interest confusion" prohibited by the Lanham Act. See Brookfield, 174 F. 3d at 1062, 1065.

Defendants offer no evidence as to their intent in selecting Storus' mark as a keyword in Google's AdWords program. Again, the only evidence relevant to such factor is offered by Storus, specifically, evidence that Aroa, before it began using "smart money clip"

⁶Defendants rely on the concurring opinion in <u>Playboy Enterprises</u>, <u>Inc. v. Netscape Communications Corp.</u>, 354 F. 3d 1020 (9th Cir. 2004), in which Judge Berzon expressed concern that <u>Brookfield</u> was "wrongly decided" and "may one day, if not now, need to reconsidered en banc." <u>See id.</u> at 1035. Nevertheless, this Court is bound by <u>Brookfield</u>. Moreover, Judge Berzon's concern pertained to application of the holding in <u>Brookfield</u> to a defendant who, having used the plaintiff's mark as a keyword, causes consumers to view an internet ad "clearly labeled" as an ad for the defendant. <u>See id.</u> This concern is inapplicable to the instant matter; Aroa's advertisement is not "clearly labeled" as an ad for Aroa, given that the largest words in the advertisement consist of a mark identical to Storus' mark.

as a keyword in Google's AdWords program, had actual knowledge that Storus used the mark "Smart Money Clip" to market money clips. (See Kaminski Decl. ¶ 7.)

With respect to the strength of the Smart Money Clip mark, defendants rely on their argument that Storus' mark is descriptive and, consequently, weak. "Whether the mark is weak or not is of little importance," however, "where the conflicting mark is identical and the goods are closely related," <u>see Brookfield</u>, 174 F. 3d at 1059 (internal quotation and citation omitted), which is precisely the situation presented herein.

Defendants concede the "degree of consumer care" favors Storus, because "consumer care for inexpensive products is expected to be quite low." (See Defs.' Opp. at 14:25-27.) The remaining factor, "likelihood of expansion," is, in the instant case, "irrelevant" because the goods sold by the plaintiff and the defendant are "related." See Playboy Enterprises, 354 F. 3d at 1029.

In sum, there is no triable issue with respect to any of the three "factors of the internet trilogy," and defendants have failed, on behalf of Aroa, to make any showing, let alone the requisite "strong" showing, that the remaining factors weigh against a finding of a likelihood of confusion. Under the circumstances, the Court finds Storus has shown no material issue exists as to a likelihood of confusion by reason of Aroa's having used Google's AdWords program in the above-described manner.⁷

2. Skymall

a. Undisputed Facts

Skymall sells products to consumers through its website, www.skymall.com. (See Andara Decl. Ex. M, last page, unnumbered.) The products sold thereon include "apparel, business accessories, computer products, electronic equipment, automobile accessories,

⁷The Court makes the same finding irrespective of whether the Court employs a burden-shifting approach as set forth in <u>Interstellar Starship</u> and <u>Perfumebay.com</u>, or considers each factor without burden-shifting. <u>See, e.g., Playboy Enterprises</u>, 354 F. 3d at 1026-29. As discussed above, the only evidence offered with respect to five of the <u>Sleekcraft</u> factors is undisputed and each such factor weighs in favor of Storus; defendants concede a sixth factor weighs in favor of Storus; a seventh factor is of little importance; and the eighth factor is irrelevant.

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gift items, collectable items, housewares, home-furnishings, personal-hygiene products, health-care products, fitness products, food items, pet accessories, travel accessories, seasonal items, gift-certificates and other general merchandise." (See Schewe Decl., filed January 11, 2008, Ex. 2 at 8.) Skymall's website has a search engine that consumers can use to search the Skymall website. (See Andara Decl. Ex. M at 93:21-23.) Among the products Skymall has sold are "Gadget Universe" money clips supplied by Aroa. (See id. Ex. L at 13:3-14, 54:12-15, 84:11-19; Ex. M, last unnumbered page.) On July 14, 2005, Skymall, on its website, offered for sale a Gadget Universe money clip; the description of said product included, in two places, the phrase "smart money clip." (See id. Ex. M at 91:21-92:10.)

b. Other Evidence

At his deposition, Skymall's Chief Financial Officer, Dick Larson ("Larson"), was asked whether, if a consumer used Skymall's search engine to search for the term "Smart Money Clip," a webpage showing one of Aroa's money clips would come up; Larson responded, "I would expect [Aroa's] product to come up." (See id. Ex. M at 94:10-12.) At her deposition, Skymall's Customer Service Manager, Jeanette Watte ("Watte"), was asked, "[I]f you typed in 'Smart Money Clip,' do you believe that based on that search engine it would bring you [Aroa's] product"; Watte responded, "Today it would, probably." (See id. Ex. N at 19:23-20:2.)8

c. Analysis

With respect to Skymall, Storus' theory of liability is that if a consumer enters the phrase "smart money clip" in Skymall's search engine, the consumer would be directed to a page, in what is essentially an electronic catalog, on which Skymall offers for sale an Aroa money clip and on which the words "smart money clip" appear in conjunction with such offer. Put another way, its is Storus' theory that when a consumer asks if Skymall offers a

⁸Watte's deposition was taken September 19, 2007. She also testified that "the search functionality [of Skymall's search engine] has been enhanced so that [customer service employees] can locate products easier." (See id. Ex. N at 20:4-8.)

"Smart Money Clip," Skymall answers, "yes," and directs the consumer to a page offering an Aroa money clip. Relying on a claim of initial interest confusion under <u>Brookfield</u> and the above-described deposition testimony offered by Larson and Watte, Storus argues such theory can be established as a matter of law. The Court disagrees.

Although Skymall conceded having, on July 14, 2005, a webpage containing the phrase "smart money clip" in a description of an Aroa money clip, Skymall has not conceded that, at that time, a consumer who entered "smart money clip" in the Skymall search engine would have been directed to that particular page. All that Skymall conceded, in the above-referenced deposition testimony, is that at present or, at best, at some unspecified time, if a consumer were to enter "smart money clip" in Skymall's search engine, the consumer would likely be directed to a webpage depicting an Aroa product.⁹ Critically, Storus points to no concession by Skymall that such a consumer would be directed to a page containing the phrase "smart money clip," let alone to a page identical to that found on Skymall's website on July 14, 2005. Indeed, it appears, from the limited evidence submitted, that a page offering an Aroa money clip will appear as a search result solely because the consumer searches using the phrase "money clip," irrespective of whether the consumer adds the word "smart" to the search term and irrespective of whether the page contains the word "smart." (See id. Ex. M at 93:18-94:9.) Put another way, although the evidence is undisputed that, in July 2005, Skymall's catalog contained a webpage that included the words "smart money clip," the record reflects no evidence, or at

⁹A defendant can only be liable for trademark infringement if it engages in an unconsented "use" of another's mark. <u>See</u> 15 U.S.C. § 1114(1). Such "use," in a claim of the type alleged against Skymall, could be proved, e.g., by evidence showing the defendant directs a consumer who searches for "smart money clip" to a webpage on which it offers a competing money clip, and where that page contains the phrase "smart money clip," either expressly stated thereon or in a metatag. Here, Storus offers no evidence as to how Skymall's search engine works; specifically, Storus offers no evidence, or even argues, that Skymall's search engine directs a searching consumer to its pages based on metatags found on those pages, or by some similar mechanism not visible to the consumer by which Skymall itself makes "use" of the mark "smart money clip." Consequently, based on the record before the Court, Storus can only establish the requisite "use" if it proves Skymall's search engine directs a consumer searching for "smart money clip" to a page in its catalog that expressly contains the phrase "smart money clip."

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best a triable issue, with respect to whether, at that time, Skymall had a search engine that would direct consumers to that page if they were to enter the term "smart money clip." Conversely, although there is evidence that, at the present time, Skymall's search engine would direct such consumers to a page advertising an Aroa money clip, there is no evidence that, at this time, any such page contains the words "smart money clip." In sum, the inquiry of Larson and Watte at their respective depositions is too imprecise to support, as a matter of law, the inference Storus seeks to draw.

Accordingly, the Court finds Storus has failed to show no material issue of fact exists as to a likelihood of initial interest confusion based on Skymall's search engine.

CONCLUSION

For the reasons stated above, Storus' motion for partial summary judgment of trademark infringement is hereby GRANTED in part and DENIED in part, as follows:

1. The motion is GRANTED and Storus shall have judgment in its favor as against Aroa on the issue of trademark infringement, specifically, that Aroa's use of Storus' mark in connection with Google AdWords is infringing.

yafine M. Chelme

ited States District Judge

2. In all other respects, the motion is DENIED.

IT IS SO ORDERED.

Dated: February 15, 2008

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